

PERS EMPLOYER ADVISORY GROUP MEETING

Date: 4/16/21

Time: 10:00 a.m.–12:00 p.m.

Location: GoToMeeting

TYPE OF MEETING	EAG Meeting
FACILITATOR	Sam Paris
NOTE TAKER	Lindsay Partain
CALL-IN NUMBER	(866) 899-4679 Access Code: 197-754-461
ATTENDEES	<p>EAG Member: Bonny Ray, Oregon State University; Jeff Rasmussen, Jefferson County; Jeff White, Marion County; Michelle Kirby, City of Portland; Michelle Morrison, Hillsboro School District; Nancy Brewer, City of Lebanon; Nathan Klinkhammer, Portland State University; Rich McDonald, Chemeketa Community College; Shauna Tobiasson, Department of Administrative Services; Tricia Fiscus, Klamath Community College; Trudy Vidal, Department of Administrative Services; Tyler Janzen, Association of Oregon Counties</p> <p>PERS: Alison Burman, Brandon Armatas; Carole Anne Boal; Cynthia Kirkwood; Eleanor Probasco; Elizabeth Rossman; Heather Case; Jake Winship; Jonathan Yost; Kevin Olineck; Laurel Galego; Lindsay Partain; MaryMichelle Sosne; Sam Paris; Shawn Dempewolf; Stephanie Vaughn; Yvette Elledge-Rhodes</p> <p>Guests: Michelle Sides, Jennifer Palmer, Carole Samuels, Deborah Tremblay, Dayton School District; Cheryl Carder</p>

NOTES

TOPIC	Welcome	Sam Paris
TIME: 10:00–10:02		
Sam Paris, PERS Chief Operations Officer, welcomed the Employer Advisory Group and went over the EAG meeting agenda.		

TOPIC	Director's Office update	Kevin Olineck
TIME: 10:02–10:08		
Kevin Olineck, PERS Director, provided an update.		
<p>Status of PERS amid COVID-19. Planning for reopening with a target date of September 1 for opening the offices to the public. Setting enterprise-wide guidelines for reopening, and a reconstitution team working on this as well.</p> <p>Budget Update: a presentation was made to the Joint Committee on Ways and Means, Subcommittee on General Government. Based on everything we've seen from the Legislative Fiscal Office, the proposed 2021-23 budget items should be moving through soon. Agency Budget should be through the legislative cycle in the next few weeks.</p> <p>Board Meeting on 03/29/2021. Discussed the returns of the PERS funds. The Chief Investment Officer gave their regular end of the year presentation. With the overview of investments, one</p>		

of the key roles of the Oregon Investment Council (OIC) is setting the allocations. One thing that was shown was what the market would be with the regular 70/30 investment and also what the other asset allocation has above the usual 70/30 portfolio. Their Value Equities vs. Growth Stocks have shown in 2021, Value Stocks have grown at a better rate than Growth. Next Wednesday will be the next OIC meeting and the conversation will continue on what will be coming next before the Assumed Rate is set at the June 2 meeting.

A discussion will also be had about liquidity. On an annualized basis we pay out more than we take in, and with investments we need to consider liquidity.

TOPIC	Legislative update	Heather Case
TIME: 10:08–10:23		
<p>Heather Case, PERS Senior Policy Advisor, provided a legislative update.</p> <p>04/13 was the first chamber work session deadline. The majority of bills that were dropped at the beginning are decided whether or not they stay alive through the process or are “dead” in committee.</p> <p>There were a couple COVID-19 positive results from staff on the House floor in previous weeks. The House paused floor sessions for a while back in March due to this, and has been slowed down with having to fully read their bills aloud on the floor before a vote. They are back to suspending the rules and only reading the titles of the bills. This session has been a little slower than expected, but with this largely electronic session that was expected.</p> <p>All of PERS’ requested bills passed the Senate, and are now in the House and have had their first reading. All three bills have been assigned to the House Business and Labor committee. SB 111 passed with quite a few amendments. It now has the following eight amendments:</p> <ul style="list-style-type: none">- Expansions of Death Benefits for OPSRP bereaved spouses to 100% of the actuarially assessed surviving spouses. Affected around 22 people in Tier 1/2 and under 100 in OPSRP.- OHSU and Charter Schools have taken the salary fix in SB 111 (for people who are out of state residents who work out of state but are employed by a PERS-covered employer), and applied this more retroactively to their own employees back to 2013. <p>SB 112 remains the base bill. Amendments were proposed regarding making the optional retirement plans for public universities the default instead of PERS, and making this the subject of collective bargaining (Public Universities and American Federation for Teachers, respectively). These amendments were not adopted as part of the bill. If SB 112 is passed, a workgroup will be formed by PERS to discuss rulemaking that will include both employer and member representatives.</p> <p>SB 113 relating to charging interest on late IAP Contributions had no amendments and passed through the Senate. Aligns statute with current practices and is now in the House with the Business and Labor committee.</p> <p>The Ways and Means Joint Committee: currently working on the full budget.</p>		

On April 7, there was a SB 1049 update presented to the Joint Legislative Committee on Information Management and Technology. PERS will continue to monitor bills related to the plan. Legislature has seemed to take to heart the request to continue working to implement SB 1049.

Question regarding the salary fix in SB 111: This fix will impact Subject Salary beginning Jan 1, 2020 and on a go-forward basis. People who aren't subject to Oregon state income tax and are residents of a different state but work for a PERS covered employer are the target population for this fix. Right now, for OPSRP members that salary is not subject salary, so they're still PERS members but don't get contributions. Working on a fix for this so that the Subject Salary is applied to out-of-Oregon residents working for a PERS-participating employer.

TOPIC	SB 1049 update: Project Overview	Yvette Elledge-Rhodes
TIME: 10:23–10:29		
<p>Yvette Elledge-Rhodes, PERS Deputy Director, gave a general update about the SB 1049 Program.</p> <p>The roadmap for the current biennium was shared.</p> <p>The recently added Cross Project Effort deals with internal tools to manage the Individual Account Program with VOYA, and with the multiple accounting processes that go into managing that program with operational teams such as Calculations. No impact to employers.</p> <p>The 2021-23 Biennium Roadmap was also shared. Included closing activities for Employer Programs, Salary Limits, and Member Choice projects. Continuing with Member Redirect and Cross Project Effort. The functionality issue that is overbilling employers will be implemented by December 2021.</p> <p>From an Employer Advisory Group perspective, we will begin to wrap up the SB 1049 announcements and limit it to the relevant information. Most of the activities in the upcoming biennium are internally facing.</p> <p>Question: Can you talk more to the side account overbilling issue and what will be involved in terms of reimbursement?</p> <p>Answer: We will be covering that now in Jake's slides.</p>		

TOPIC	Side Account Offset	Jake Winship
TIME: 10:29–10:44		
<p>Jake Winship covered the Side Account Offset. Known issue about WAR contributions and overbilling. One of the aspects of 1049 required PERS to charge contributions to retiree payroll as if it was current payroll. The WAR program applied contribution rates but did not accurately apply side account rates.</p> <p>We have gone through and tried to identify those impacted. Some circumstances were identified where negative UAL components also caused issues. There are two main employer types in terms of billing. There are Pull Employers (automatically transferred based on</p>		

statement information) and Push Employers (manually remit the amount they believe to be due). There were 81 Pull Employers and 57 Push Employers that needed refunds.

All Pull Employers overbilled for statements from 11/1/2020 to 02/05/2021 have been credited. Push/Credit Employers that overpaid for statements in this period will be complete before 06/30/2021. First actions on this work to begin next week. We are setting a quarterly process to continually monitor this situation. If you have any questions or concerns please reach out to your ESC Representative or to Actuarial Services.

Actions Taken in Each Round: identify the impacted employers, calculate their refund, and process a credit memo. This will serve to reduce future invoices and put in the note in our accounting system so our ESC has that information readily available.

Question: Will the quarterly lookback apply to both Pull and Push Employers?

Answer: Yes, we will continuously review both employer options. Working with IT on solutions to make the larger fix before the end of the fiscal year.

Question: When do you expect to let an employer know how much money will be refunded?

Answer: We are currently rolling that out. Working to determine the proper amount and will communicate those next steps as soon as we have them established.

Question: How does an entity know if they are in the refund group?

Answer: If there's any doubt, please reach out to your ESC Representative or the Actuarial Services email inbox so it can be logged and identified. You should receive email communications if you have been impacted as a Pull Employer.

Question: If you are an Employer that has been impacted, will you continue to be impacted as long as you have WAR employees until the issue has been fixed?

Answer: That is a reasonable assumption. We are working to fix this issues and implementing a process to manage how credits are applied. If it has occurred once it should be something that should be monitored in each statement period until it has been resolved.

TOPIC	Assumed Earnings Rate	Jake Winship
TIME: 10:44–11:15		
<p>Jake Winship, PERS Manager, Actuarial Activities, presented and gave an update on the Assumed Earnings Rate. Largely a recap of the newsletter sent in GovDelivery. If you are not receiving the Employer Newsletter, go into GovDelivery and update your settings as there is a lot of valuable information.</p> <p>The Assumed Rate is the expected average annual future investment return. This is the earnings component that is set every two years, this year it will be set on 07/23/2021. There is an OIC Meeting where our consulting firms will provide their investments and what they project their earnings will be.</p> <p>The assumed rate is used for benefits earned in the future (next calendar year). Benefits are earned by members each year they are employed and contributions are assessed. If the assumed rate is lower, we have to have a higher portion set for principal repayment. The</p>		

Actuarial Equivalence factors are used to determine optional benefit amounts. It is a direct benefit impact; the account balance interest crediting level for Tier One actives.

Question: When does the change to the assumed rate take place?

Answer: The assumed earnings rate is one of the actuarial assumptions that comes out of the non-rate setting valuation. The 12/31/2020 experience study will produce assumptions to be used for the next two valuation cycles. That will include the 12/31/2021 rate setting cycle as well as the 12/31/2022 advisory cycle. Once adopted, the assumed earnings rate will be used to calculate the monthly benefit generated by a given account balance. That will be the rate used from 1/1/2022 – 12/31/2033.

A geometric returns from outlook models graph was shown of the consensus outlook. The projection from the OIC consultant and provide their estimate on what the PERS trust will be. A 10-year looking forward period. It is not the immediate future; it is a longer term geometric average calculated by Milliman. There is an X at each location which is the assumed rate proposed by the board for the next two years.

Comment: The slide would be more informative if it included the results from actual earnings.

Response: The information reflects a 20 year period. It appears to provide more validation than it actually does. It would anticipate some fluctuation on a year-to-year basis and would appear to show something that doesn't fluctuate.

Question: Could we do a 20-year moving average to show the rate coming down?

Answer: It really is a historical view and these are more of a perspective view so if we did that, it may lead to misleading results. There have been some historical studies done, but they have limited utility in setting assumptions. The issue is how to translate that information, how it persists, and can it provide guidance. The estimate provided by the OIC consultant is customized to the PERS asset portfolio.

Reasons why the outlook has decreased: the inflation rate assumption has come down which makes it challenging. Real returns after inflation have to increase to offset. Equity asset prices have increased by 20%, therefore a corresponding decrease in yields is anticipated. The average yield for fixed income investments is essentially half what it was two years ago.

If the assumed earnings rate remains at 7.2%, the funding status improves and the contribution rate decreases.

If the assumed earnings rate decreases, the UAL increases by about \$100M for each basis point. Similarly, it's about a point and a half contribution rate increase for each 20 basis point decrease in the assumed rate. It shows how the assumed earnings rate can impact the funded status.

Question: Is it indicative or an indicator of where Milliman thinks the board will run if it doesn't use a 6.8% assumed rate?

Answer: The PERS Board has historically considered a variety of estimates in adopting earning rates and other actuarial assumptions and any changes have occurred as a measured response. The impacts illustrated by Milliman were intended to show a set of plausible assumptions but not to predict the board's action.

Question: Wasn't the point of member redirect to pay down the UAL?

Answer: The idea behind the IAP member redirect was to reduce the employer contribution rate. We now talk about total contribution rate first, then deduct the net member redirect offset rate to get to the employer rate. It is not intended primarily to pay for or pay down the UAL. The total base rate shown on this chart would include the employer contribution as well as the IAP Redirect.

TOPIC	SB 1049 update: Member Choice	Cyndy Kirkwood
TIME: 11:15–11:18		
Cyndy Kirkwood provided an update on Member Choice IAP Target-Date Funds (TDF).		
Window was opened last fall and members made their selections. No gains or losses will be shown until statements are distributed the year after the selections have been made. We will apply rates and earnings and show the reflected earnings on that.		
The election window for 2022 TDF Election Choice will be open from September 1-30, 2021. Minimal impact to employers, this is just for employees to have access to additional information.		

TOPIC	SB 1049 update: Work After Retirement	Laurel Galego
TIME: 11:18–11:20		
Laurel Galego provided an update on Work After Retirement (WAR).		
Shared appreciation to employers and ESC staff on completing the backlog work on Wage Code 07 to wage code 17. Early retirees still have an hour limit. Please do a status check when hiring a retiree to confirm. Retiree wages will suspend until the member receives their first benefit check. WAR team is working with programmers to fix any minor bugs from previous releases.		

TOPIC	SB 1049 update: Salary Limit	Brandon Armatas
TIME: 11:20–11:23		
Brandon Armatas gave an update on Salary Limit.		
Effective January 1, 2020. Salary used in benefit calculations was capped at \$197,730 for 2021. Limit is indexed annually. Members who do separate partial year have salary prorated.		
Currently working on the final phase of system deployment. Working to enhance the internal processes at PERS and deploy system alert messages for staff about accounts impacted by proration. Notification is just an additional measure to ensure we're accurately reflecting salary proration. Will go into effect next month. After this deployment will be Salary Limit close activities.		

TOPIC	SB 1049 update: Member (IAP) Redirect	Sam Paris
TIME: 11:23–11:29		

Sam gave an update on Member (IAP) Redirect.

Member Redirect takes a portion into the Employee Pension Stability Account rather than IAP. It is determined by the employees plan, 2.5% for Tier One/Two and 0.75% for OPSRP.

Gave an update on Voluntary Contributions (VC). Continuing with the trend of these elections going down. We've had 544 elect to stop their voluntary contributions. Recognize that there have been some issues with statements and invoicing for VC's and will open that up for discussion at the end of the meeting.

Question: What was the intent of Member Redirect?

Answer: Member Redirect is to have members pay some portion of their benefit going forward. The voluntary contribution intent gives them the ability to make the full 6% in the IAP.

TOPIC	Communications update	Shawn Dempewolf
TIME: 11:29–11:35		
Shawn Dempewolf, PERS Employer Communications Specialist, gave a general Communications update regarding Valuation Guide, Web Updates, Employer Communications Survey, and the Annual Employer Satisfaction Survey.		
Recently released the “Guide to Understanding Your Valuation.” It shows samples of the key pages from the valuation report and explains what UAL is, what causes it, and how to potentially reduce your UAL rate.		
The guide has three versions: one for SLGRP members, one for School Districts Pool members, and one for independents. Each version is available in an online, interactive edition (best viewed with Adobe Reader) and a printable edition.		
An educational presentation deck called “A Walk-Through of Your Statement Post–SB 1049” was published to the Understanding Your Statement webpage and Employer Training webpage.		
We are conducting two surveys this spring. Employer Communications Survey: how you receive information about working with PERS. Will run through April 21, 2021.		
Annual Employer Satisfaction Survey. Tracks satisfaction with PERS interactions and helps us understand how we can better support employers and their needs. Will run May 1 through 31.		

TOPIC	Additional items	Sam Paris
TIME: 11:35–11:49		
Sam introduced the remaining additional items; Brandon Armatas provided updates on the Member Annual Statements and First Wage Clean-Up Project.		

Member Annual Statements (MAS). This year there will be changes to the statements; working to incorporate SB 1049 data. Statements will include additional EPSA information for our members.

Working through the testing phase of the project. Pulling unique data from jClarety and publishing it into our statement templates. Making sure there are no discrepancies so that each member is getting the correct data. We are on track for our projected mid-May mailing date.

How this impacts employers. In an effort to reduce undeliverable statements, we've made proactive efforts to communicate with members and ask they update their address information. Additionally, PERS is working to utilize the National Change of Address Database. This was used last year during the LOM statement mailing and it helped to reduce the amount of returned mail.

The other impact is more of a result to the change to statements. Possible you may hear new questions from your employees in regards to the SB 1049 content.

- Statements include a back page that will provide high-level content/information regarding the statement.
- Includes other general content for the reader on their statement information and how to interpret it.
- An article and supporting documents were also published in *Member Perspectives*, available on the PERS Internet.

On the PERS Internet you can also find several resources around Member Annual Statements with an extensive FAQ (<https://www.oregon.gov/pers/MEM/pages/member-annual-statement-FAQ.aspx>). Anything you don't know how to answer, we are here to help and encourage you to reach out.

Brandon gave a brief update on the **First Wage Clean-Up Project**. Focus has continued to be on implementation. Progress has paused to produce the Member Annual Statements but keeping this at the forefront of our priorities. Once MAS is complete we will be returning to this project. Future plans include: finalizing implementation strategy, notify impacted employers, and initiate the roll-out.

Sam introduced a requested item of **Employment Segment Limits** and invited Laurel Galego to give an update. Team found a fix for the number of segments per record and now multiple segments can be added. Went into effect on Wednesday 04/14/2021.

Sam introduced a requested item to bring up **Reconciling Voluntary Contribution Invoices** for questions or comments. No questions but will reach out to the employer group that reached out for discussion.

MaryMichelle Sosne gave a reminder that new employer **rates are effective 07/01/2021** and if you haven't had a chance to change your valuation the link is: www.oregon.gov/pers/Pages/Financials/Actuarial-Valuations.aspx

TOPIC	Questions	Sam Paris
TIME: 11:49–11:59		
<p>Sam opened the floor to allow EAG members to ask any other follow-up questions. Upcoming meetings that may be of interest were highlighted. Any additional feedback on these meetings and items you would like to have discussed is always appreciated. Please direct these emails to the EAG inbox.</p> <p>Question: Can we talk about Municipal Debt Advisory Commission (MDAC) and Side Account Return Information?</p> <p>Answer: There have been some concerns about reporting requirements for employers using pension obligation bonds. In SB 1049, additional requirements were added that require employers to report, PERS provides information regarding two of the requirements:</p> <ul style="list-style-type: none"> • The actual rate of return on bond proceeds in the previous fiscal year • The cumulative rate of return on bond proceeds. <p>PERS has advised Treasury and MDAC that we can provide the average earnings for side accounts during Final Earnings Crediting which typically happens in March of each year, additionally, employers can use their actual investment returns which are reported in employer’s valuations.</p> <p>Member Response: Employers would like the information on how their side accounts are doing regardless of how they are funding them. Would be an incentive for the creation of more side accounts if employers know how they’re doing and what those side accounts could be used for.</p> <p>Answer: We are always working towards providing more up to date information, however, given the complexity of the earnings calculation this won’t be feasible until we can automate the process.</p> <p>Sam gave a brief update on important meetings that may interest EAG Members and closed out the meeting.</p>		
Next meeting facilitator: Sam Paris		
Next meeting date and time: July 16, 2021 10:00 a.m.–12:00 p.m.		